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Director of Central Intelligence

# NATIONAL INTELLIGENCE DAILY

Saturday, 27 January 1990



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USSR:

Situation in the Caucasus

Moscow Focusing  
on Radical  
Front Leaders

Baku remains relatively calm as Moscow continues to move against radical leaders of the Azeri People's Front. Defense Minister Yazov said in *Izvestiya* yesterday that the military was charged with "destroying" the APF in order to preempt its bid to seize power. On Thursday night, uniformed gunmen ransacked the Azerbaijan permanent mission in Moscow, a base for the APF, and arrested the Front's self-styled War Minister, Etibar Mamedov. Soviet authorities accused him of inciting "antisocial" actions in Moscow. Meanwhile, Gasan Gasanov, the APF's choice as Azerbaijan party boss, was appointed premier of the republic yesterday by the Azerbaijan Supreme Soviet. b3

b3 [REDACTED] b(1) b(3)  
Its arrest of Mamedov and the destruction of Azeri headquarters in Moscow will further alienate many Azeris, possibly including more Azeri Central Committee and Supreme Soviet members. b3

[REDACTED] b3  
It is also possible the republic's Supreme Soviet may have acted on its own to get the Front's candidate in the key leadership position. b3

Limited  
Cease-Fire in  
Caucasus

Armenian and Azeri Front members have negotiated a cease-fire on the Azerbaijan-Armenia northern border. Sporadic fighting continues in Nagorno-Karabakh but at a lower level. b3

[REDACTED] b3  
The situation in Armenian villages remains tense, with provocations against soldiers and Russians continuing. Azeris have put out of commission a major power plant in the area. Nationalists holding the Azeri town of Lenkoran destroyed party documents and a statue of Sergey Kirov, who helped establish Soviet control in the Caucasus 70 years ago. b3

b3 [REDACTED] b3  
The cease-fires in Nakhichevan and on the northern Azerbaijan-Armenia border may mean that moderate Front members are still influential. But it is uncertain if they can sustain the truces. Negotiating a cease-fire in Nagorno-Karabakh will be more difficult. b3

Stabilizing Armenia

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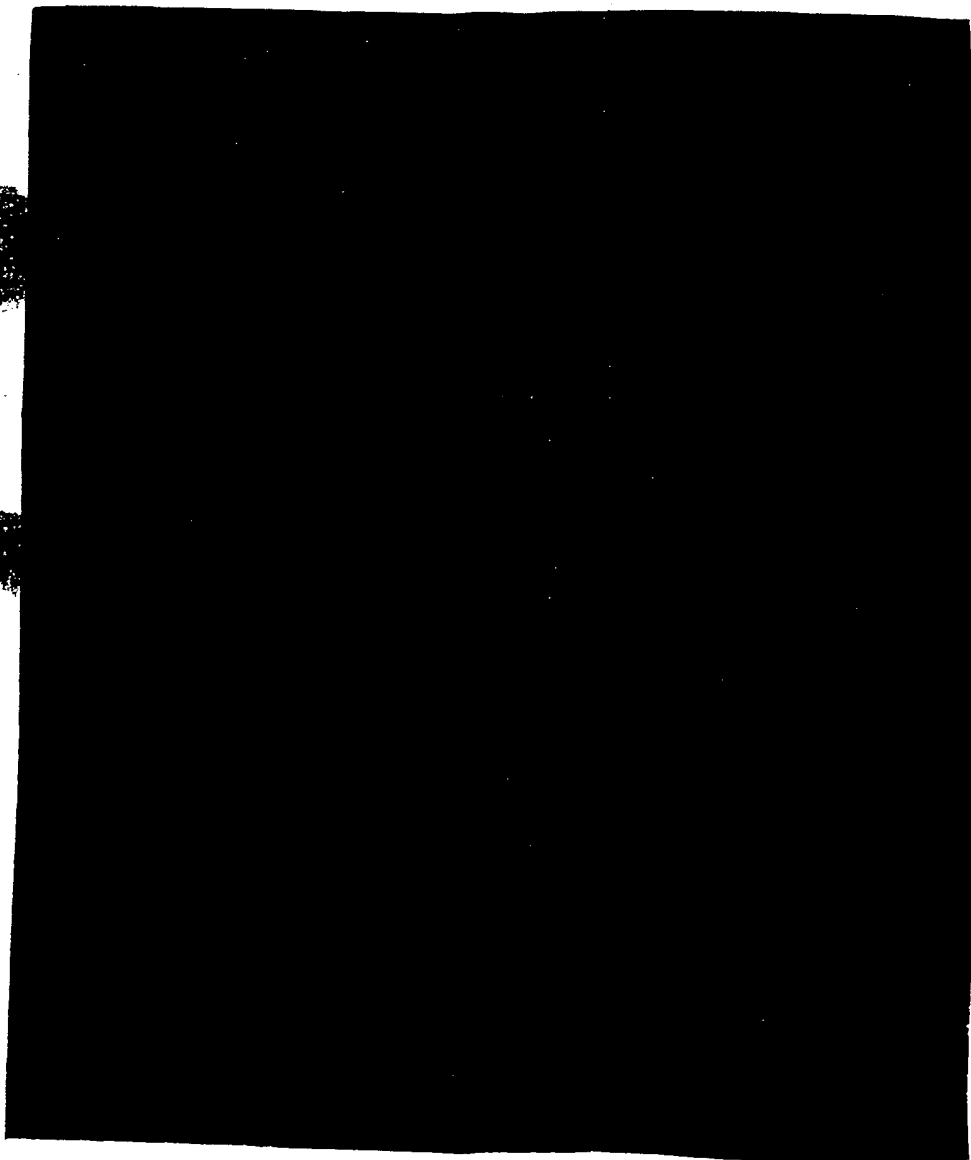
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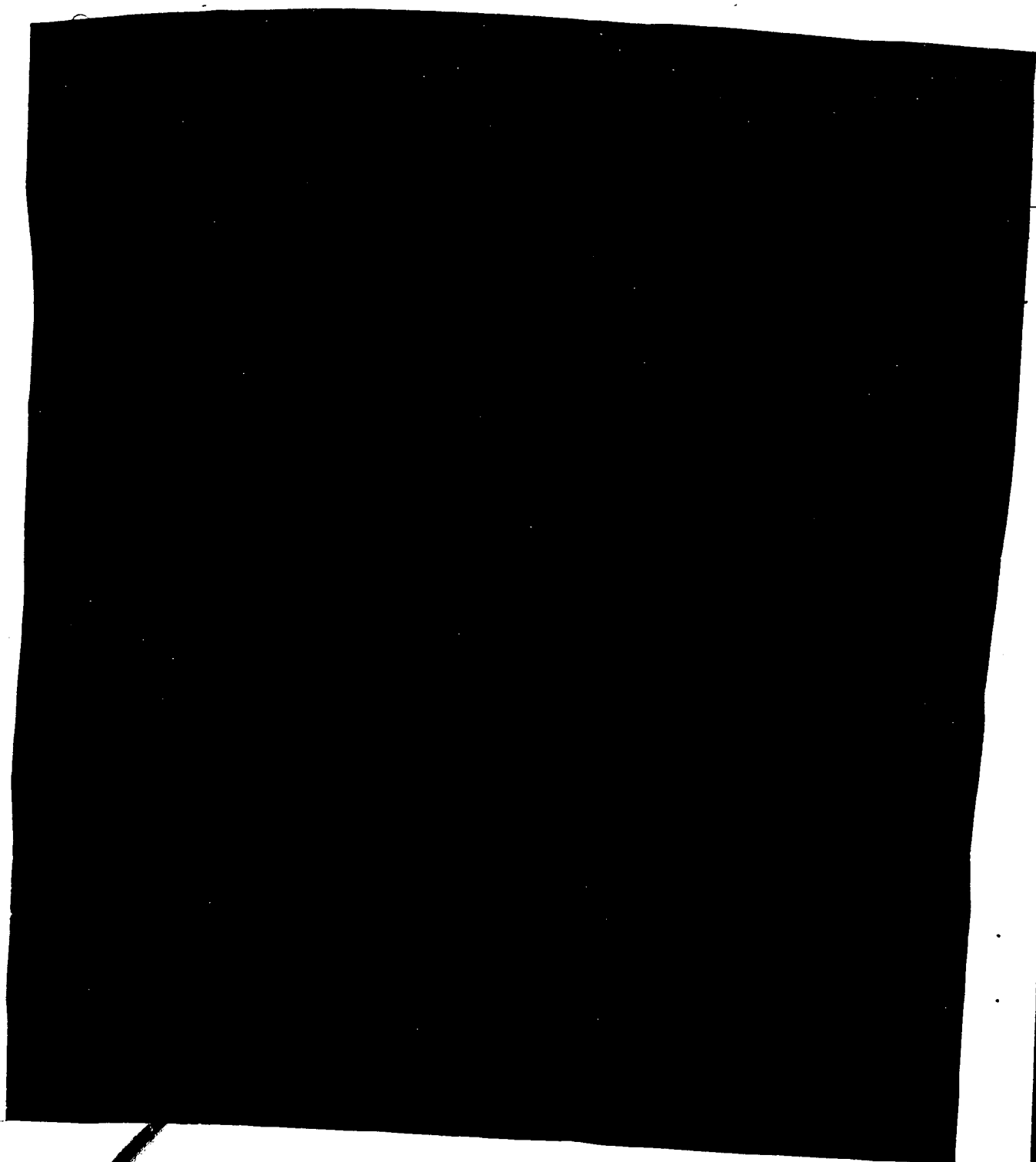


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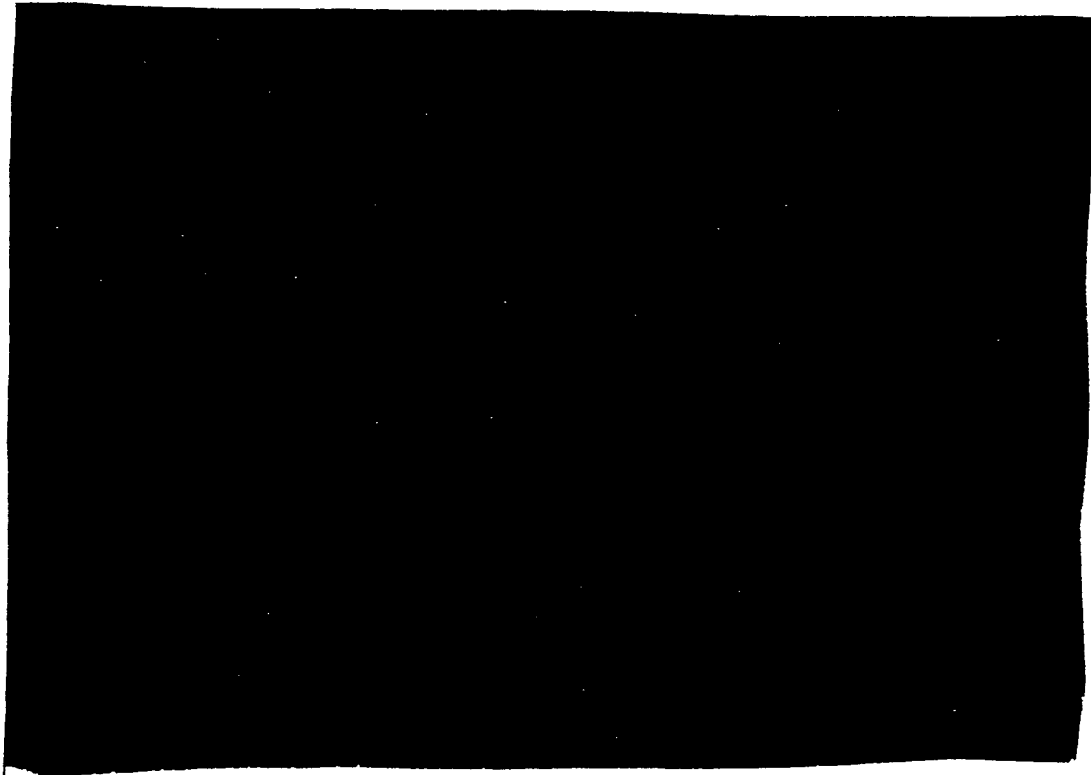
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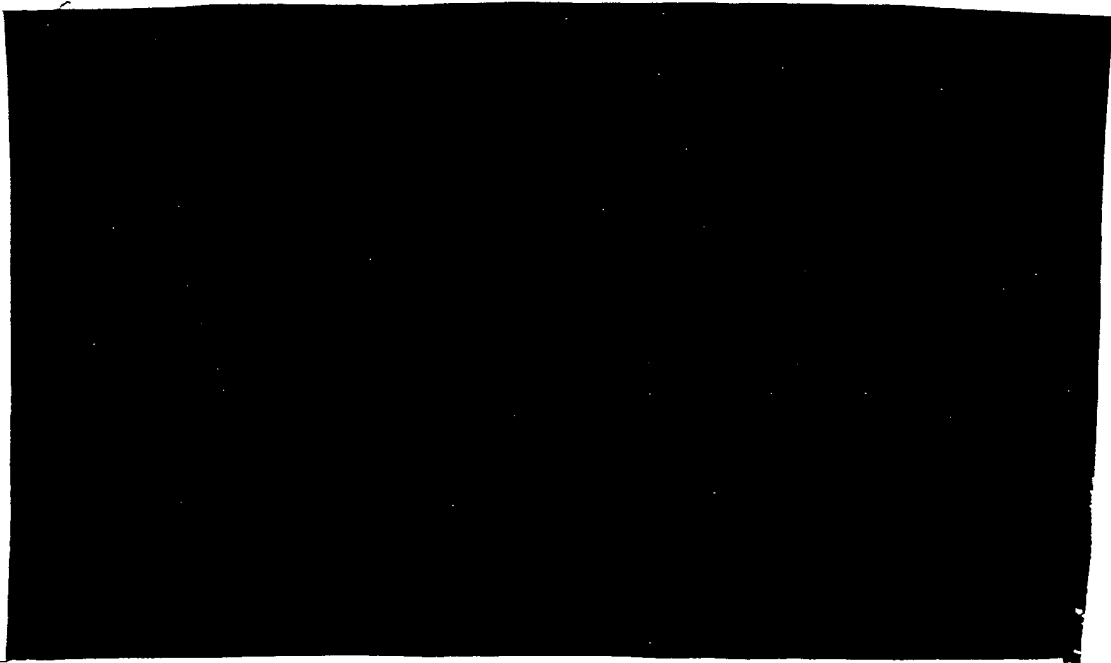
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#### Implications of Azeri Unrest for the Oil Industry

Azerbaijan yields only about 2 percent of total Soviet oil production, and Soviet authorities could operate the offshore fields—which account for about 70 percent of Azerbaijan's output—independently if faced with attempts to disrupt production. The republic also manufactures about 60 percent of the USSR's oilfield equipment. Most equipment needed for this winter's operations probably was shipped north before the rivers froze, but a disruption of more than a few months would hamper oilfield operations throughout the USSR this spring and summer. Many essential components, however, such as drill rigs and drill pipe, are produced elsewhere.



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USSR:

Oil Production Down, Exports Threatened

*Oil production in the USSR continues to decline, and Eastern Europe may experience some at least temporary shortages in oil deliveries.*

[REDACTED] b3  
Soviet oil output fell 2.5 percent, or some 310,000 barrels per day, last year to 12.14 million b/d. Moscow drew down domestic stocks to offset some of the production drop, limiting the reduction in total exports to 200,000 b/d; hard currency customers took most of the cut. [REDACTED] b3

b1, b3 [REDACTED] Moscow, citing temporary shortfalls, has cut oil deliveries to its principal East European customers. [REDACTED] Soviet deliveries to Czechoslovakia are down 20 percent so far this month and may drop as much as 5 percent for the year. The Soviets have said the reductions will be made up later so as not to alter overall deliveries for the year. [REDACTED] b3

b3 [REDACTED] This year's Soviet output probably will fall below 12 million b/d for the first time since 1985, primarily because of systemic production problems. Major producing areas are mature and in decline, and the Soviets lack the technology to exploit major new areas such as the North Caspian Basin and the Barents Sea. [REDACTED] b3

b1, b3 [REDACTED]  
In the mid-1980s, the Soviets met a similar decline in oil production by boosting investment sharply. Now, the leadership evidently has decided to cut investment in the energy sector to free resources for the consumer. It probably will try to manage a controlled decline of indigenous production while intensifying efforts to get Western help in oilfield development. Large-scale Western assistance could stabilize total Soviet output, but not before the mid-1990s. [REDACTED] b3

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GERMANYS:

The Reemergence of Berlin

*Bonn is moving assertively to absorb West Berlin and strengthen intra-German ties.*

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East and West Germany are likely to preempt Four-Power talks with bilateral negotiations on aviation matters; Bonn intends to propose non-Allied flight corridors and West German airline service to Berlin. the Germanys are planning a new airport south of the city.

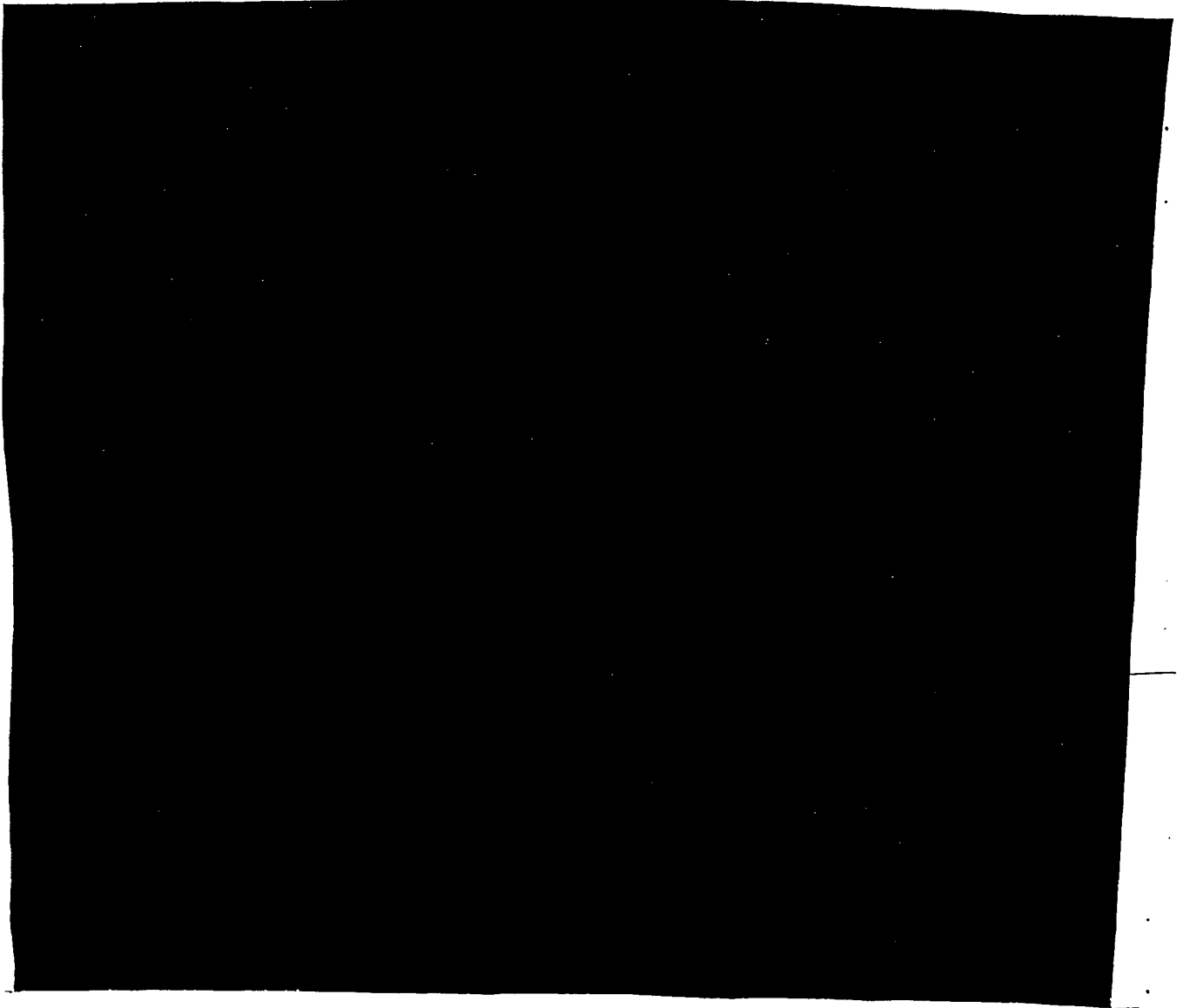
Moscow apparently hopes for a verbal reassertion of Four-Power rights, but intra-German developments are rapidly making the Allies' presence in Berlin irrelevant. Growing social and economic ties between East and West Berlin are reinforcing German confidence in the city's future as a major European center—and eventually the capital of a united Germany.

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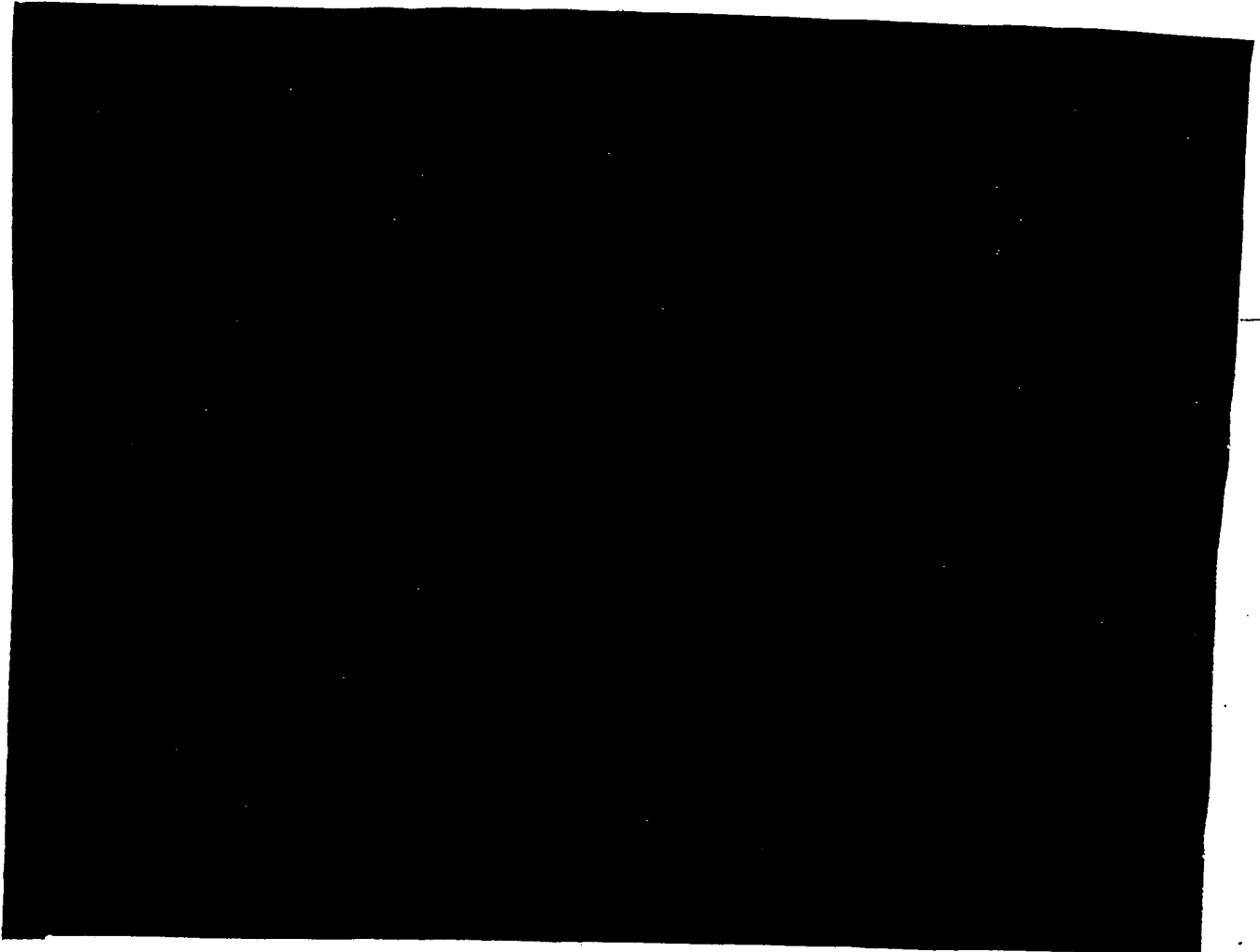
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PANAMA:

Crime Wave Challenging Public Force

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[REDACTED]

The number of street crimes and armed robberies by individuals using assault rifles and other infantry-type weapons has increased in recent weeks. [REDACTED] A US citizen employed by the Panama Canal Commission was killed during a robbery attempt at his home on Tuesday. Last week, a bank in Panama City was robbed by four men armed with assault rifles claiming to be Dignity Battalion members; a similar robbery occurred the following day. The US Southern Command says reports of heavily armed bands attacking and robbing Panamanian civilians have increased throughout the country. [REDACTED] b3

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[REDACTED]

[REDACTED] The Public Force still lacks the training, command structure, criminal investigative capability, and logistics to tackle rising crime. Complicating matters, several hundred Noriega loyalists remain at large and probably have infantry weapons. [REDACTED]

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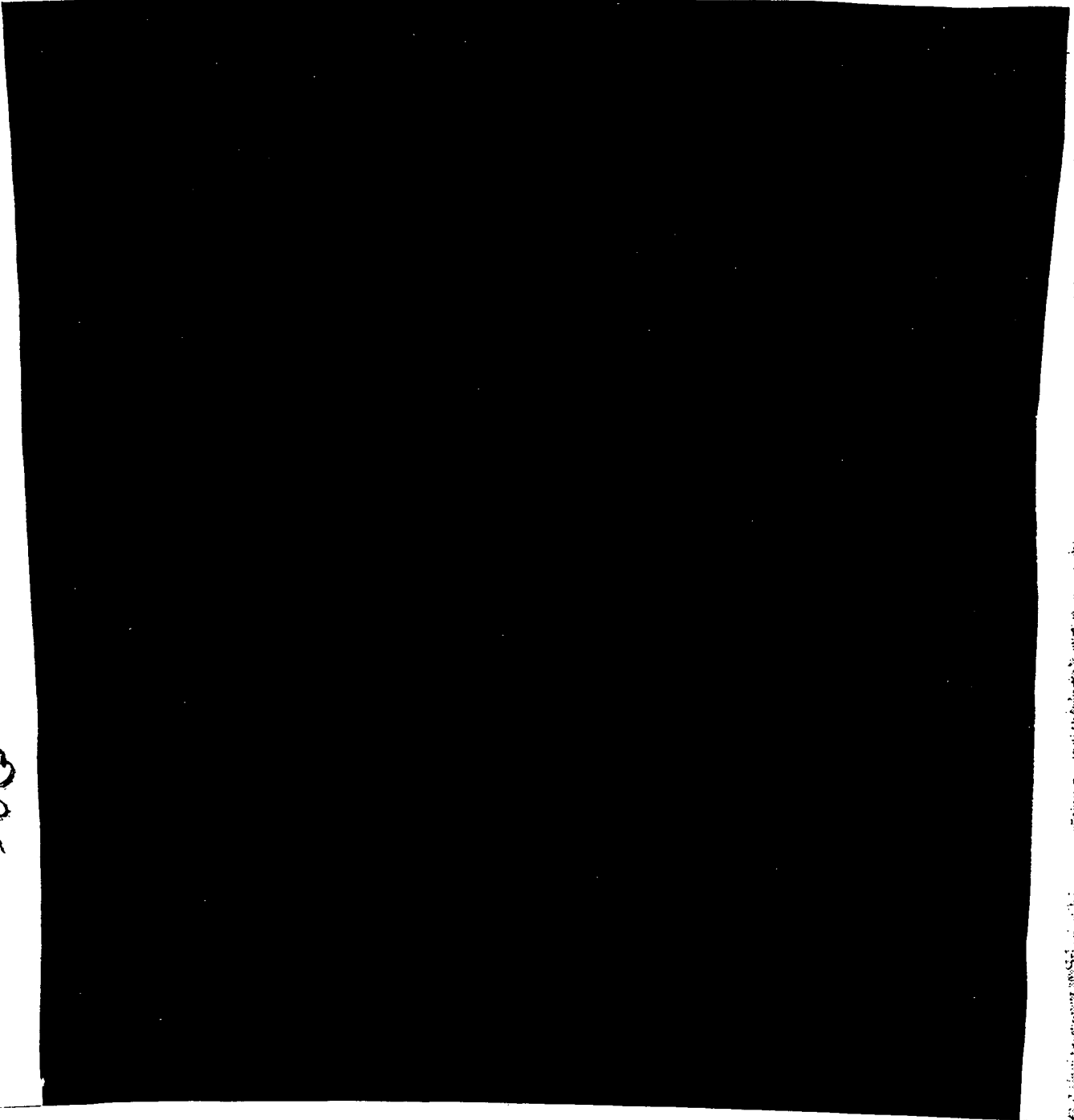
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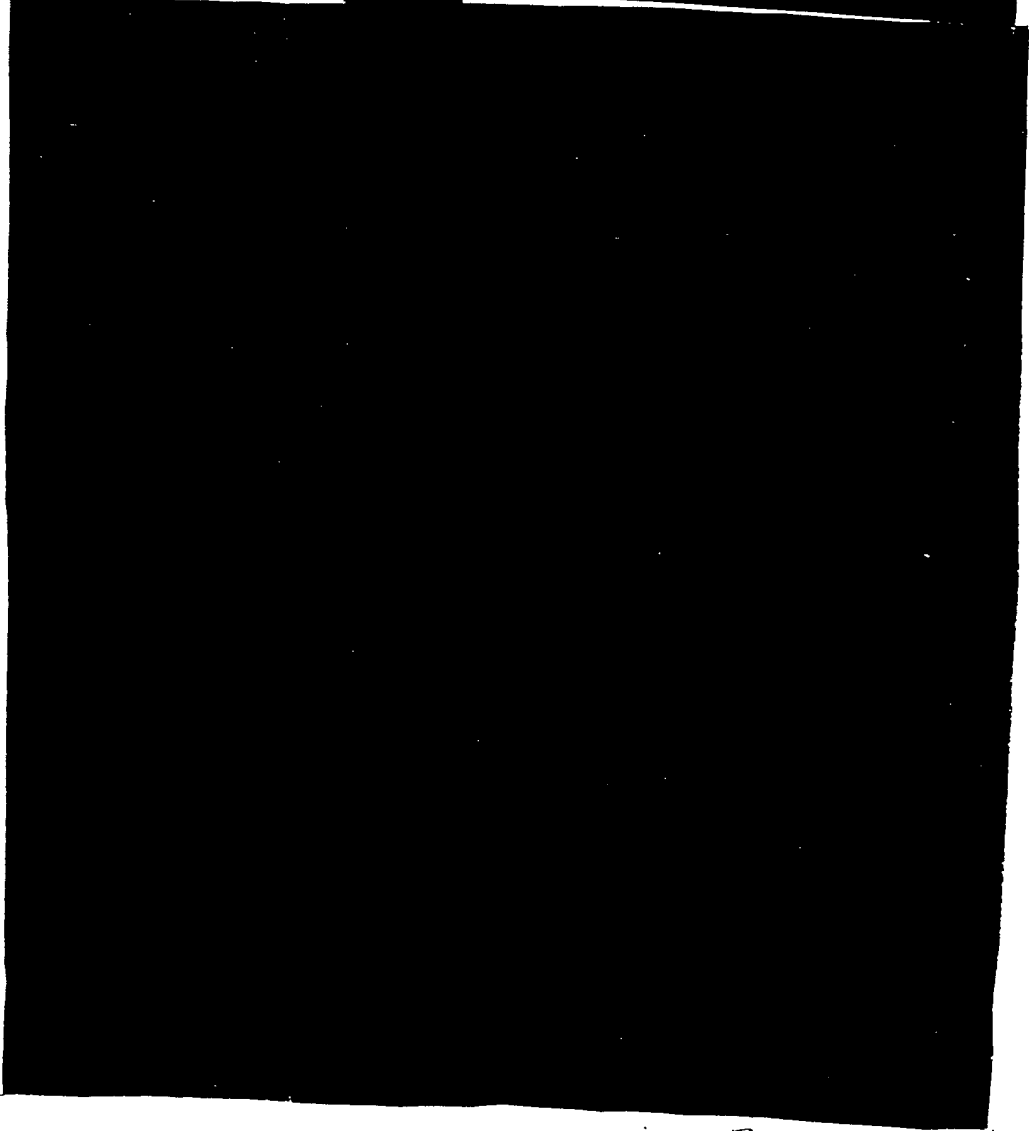
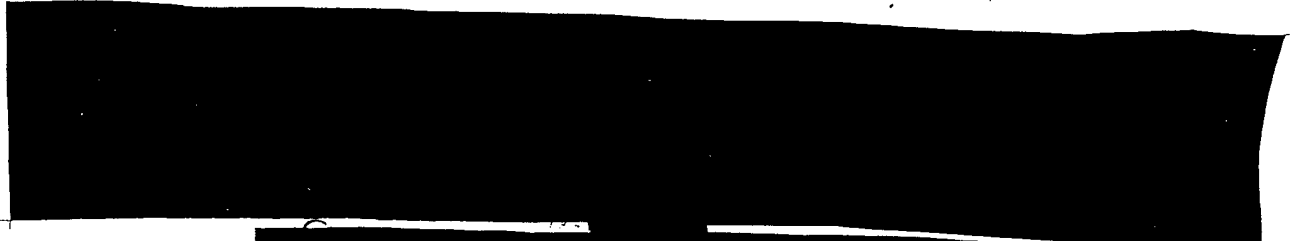
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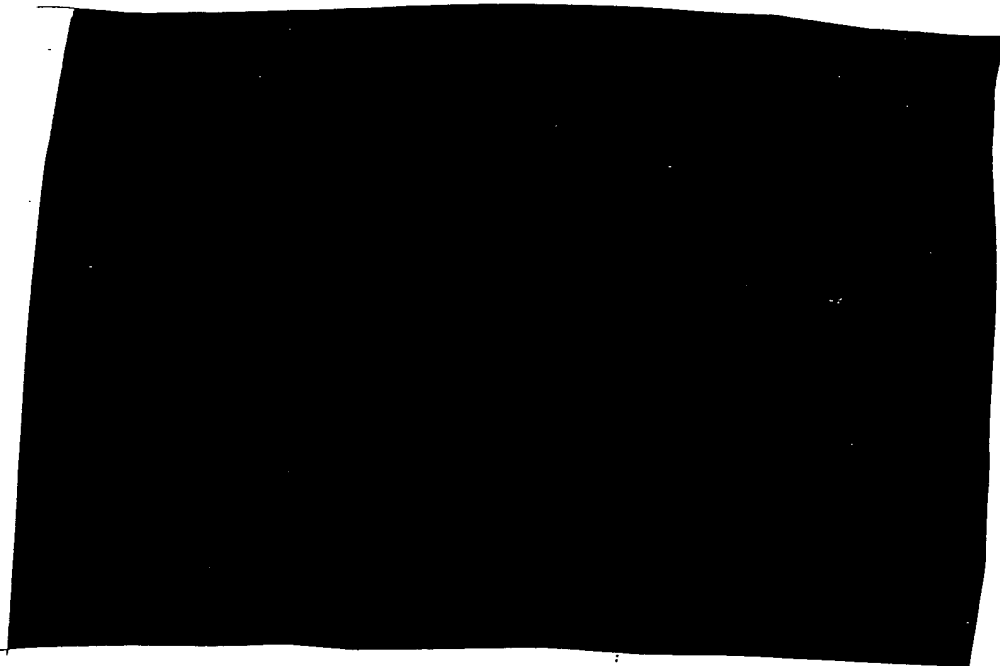
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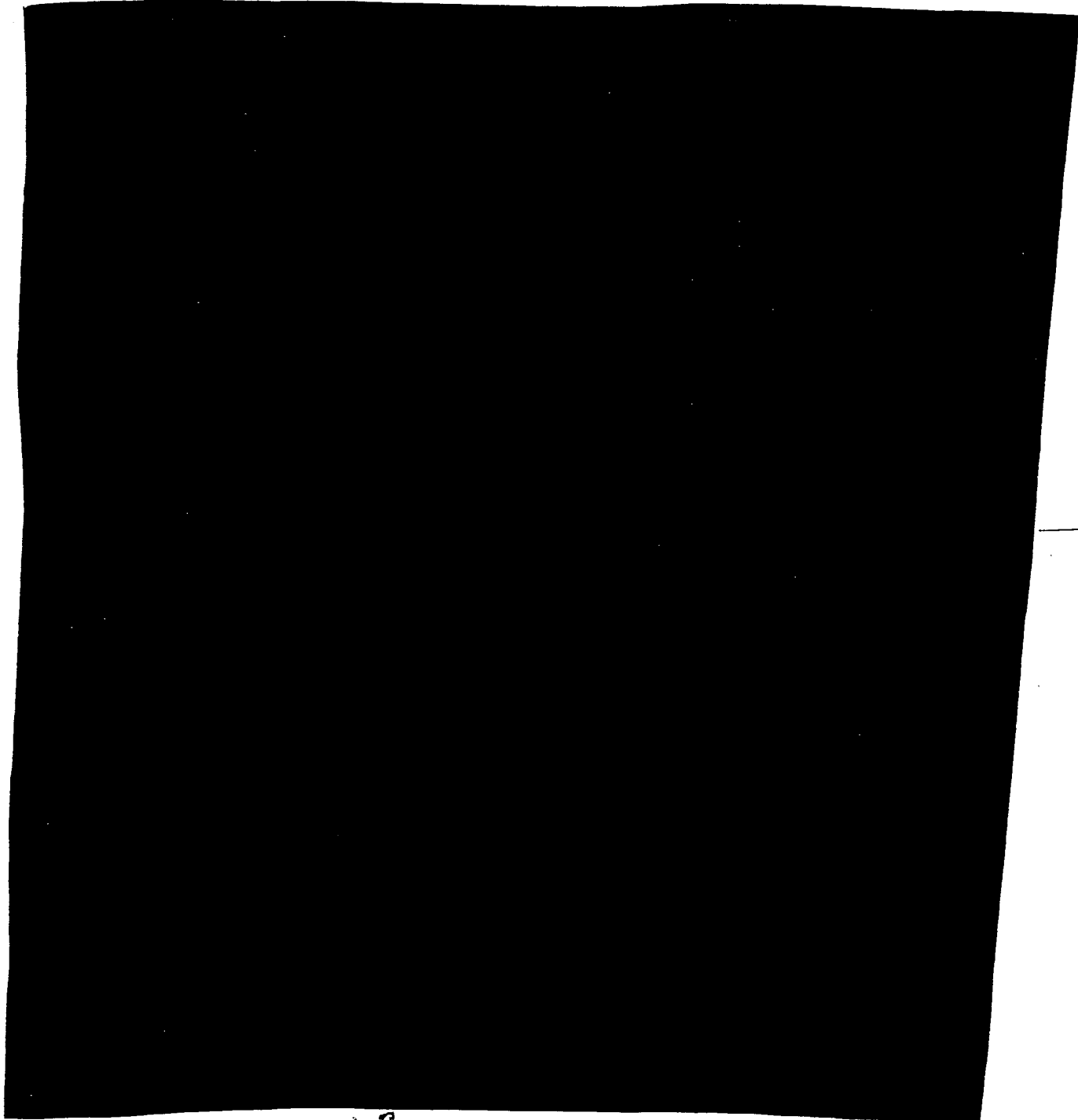
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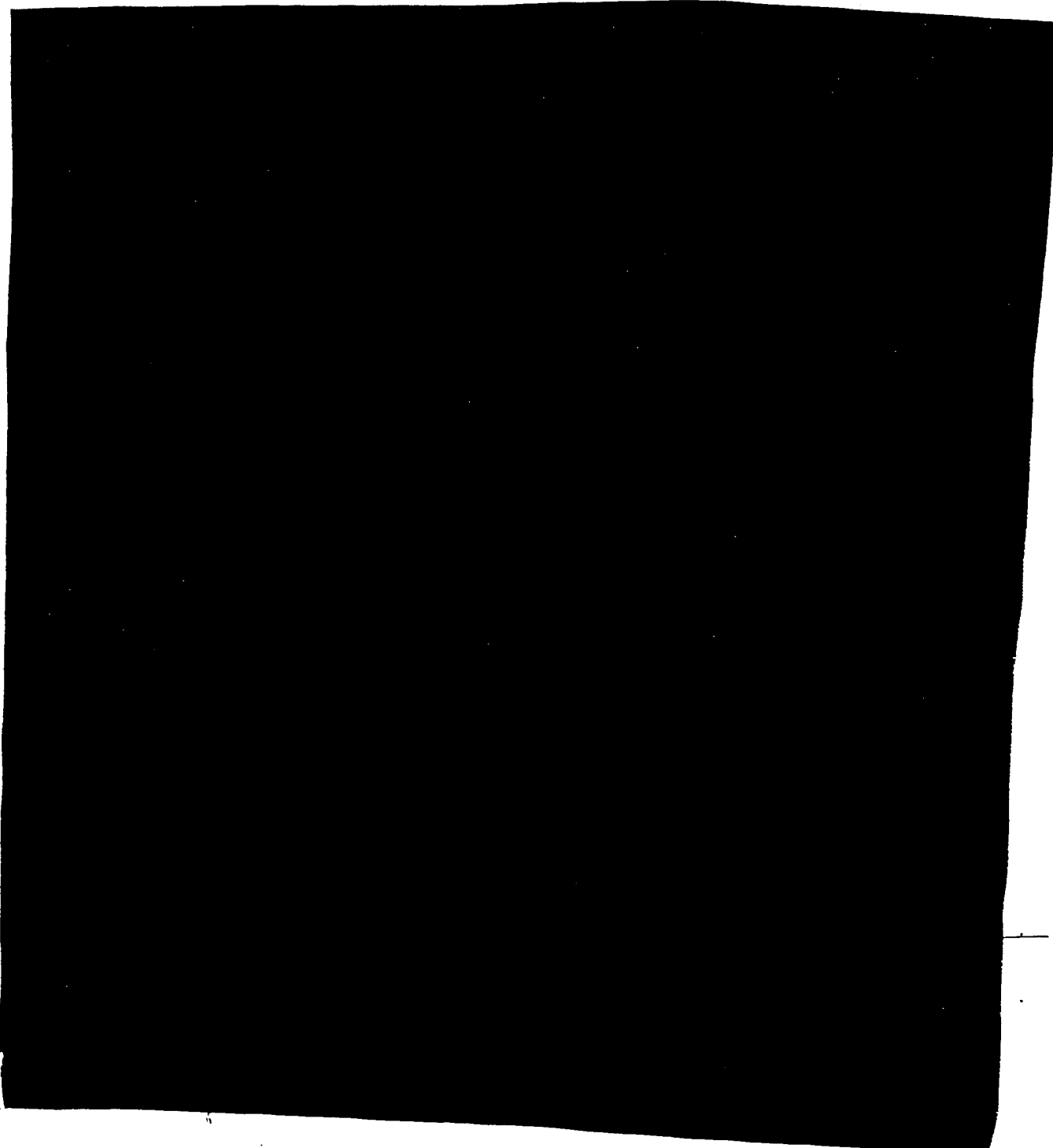
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### ROMANIA: Challenges to Ruling Front Mounting

The National Salvation Front (FSN) no longer can disguise its lack of credibility and internal divisions; it appears headed for a major confrontation with anxious, angry opposition groups this weekend, both at the roundtable talks that begin today and at the demonstrations called by the major parties for tomorrow. After several protests against the Front's decision to run in the May general election, President Iliescu acknowledged Thursday that the political situation is unstable, warning that anarchy would result if the provisional government were to collapse. Several leading FSN members, including Vice President Mazilu, have resigned this week, and the government appears to be losing control over some local governments, including the western city of Timisoara where the anti-Ceausescu uprising started. [REDACTED] b3

b3 [REDACTED] Just a month after seizing power, the Front is struggling to hold on in the face of increasing pressure from anti-Communist opposition groups, students, and workers. Unable to shake off suspicions that it is hijacking the popular revolution, the self-appointed leadership has tightened restrictions on demonstrations—but 600 were able to protest without incident in central Bucharest last night—and is seeking to exploit latent fears of possible anarchy and Hungarian irredentism in Transylvania. [REDACTED] b3

### BULGARIA: Reform Leaders Battle Hardliners

Bulgaria's reform-minded leadership is pushing ahead with change despite growing opposition within the Communist Party. After the conclusion of an unscheduled Central Committee plenum Thursday night called to discuss the crisis in the party, Sofia announced yesterday that Communist Party organizations in the Army would be disbanded. After a National Assembly session broke down on Thursday, the chairman of the Assembly explained that a broad consensus between opposition forces and the Communist Party was needed before the Assembly could adopt new measures. The Politburo released no other details on the Central Committee session, but [REDACTED] party leaders advocated forming a coalition government with the opposition. [REDACTED] b3

b1/b3 b3 [REDACTED] The breakdown of the Assembly session shows that opponents of reform are becoming more vocal and probably will challenge the leadership at next week's extraordinary party congress. By endorsing a coalition government, reformist party leaders probably are trying to line up support among the opposition so they can defeat any attempt by hardliners to regain power. A coalition could lead to inclusion of the opposition in the government as early as next week. [REDACTED] b3

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## Romania: Economic Worries Growing

The strategy of the National Salvation Front (FSN) to raise living standards is largely a short-term bid to bolster its popularity; the program will be increasingly difficult to maintain without Western assistance. The decision to divert energy and agricultural supplies from the export and industrial sectors has doubled consumer energy use and improved food supplies, according to Prime Minister Roman. But the diversion of energy has forced a number of industries to cut work hours sharply. Although Soviet energy imports are for now staving off further cuts to industry, Moscow is concerned about Romania's ability to pay [REDACTED] b (3)

FSN policies almost certainly are creating a ripple effect on industrial production. By crimping export revenues, the policies will make it harder to pay for the sharp increase in imports and eventually will erode Romania's good international credit position. Bucharest so far is using short-term credits and is tapping its foreign exchange reserves of more than \$1 billion to ensure adequate food supplies. If the political situation fails to stabilize within a few months, Romania will face serious problems in persuading Western creditors to increase their growing short-term exposure and in getting the Soviets to provide energy on credit. This could set off a downward economic spiral if a disruption of imports forces the closure of some enterprises that are not competitive or energy efficient.

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### EAST GERMANY: New Government To Be Formed

A spokesman for East German opposition groups yesterday announced their readiness to join a nonpartisan caretaker government until the elections on 6 May; negotiations with the government are to begin tomorrow. Opposition demands include a minimum of five Cabinet posts—including the Foreign Ministry—and greater roundtable participation in selecting ministers and legislation. [REDACTED] b1 b3

[REDACTED] A reconstituted government with greater non-Communist participation probably will emerge by early next month. In the interim, the dominant Communist faction will continue to balk at genuine power sharing, especially opposing loss of the crucial defense and economics posts. Communist ministers probably will agree to shed their party ties, but Premier Modrow will resist giving up his post. The East German Social Democrats, who believe they are frontrunners for the May elections, appear wary of assuming too much responsibility for the country beforehand. Any caretaker government almost certainly will be too weak and divided to implement the far-reaching reforms needed to restore stability. [REDACTED] b3

### POLAND: Controversy Over Communist Assets

Premier Mazowiecki's personal intervention has averted a squabble over the disposition of Communist party assets that might have threatened his Solidarity-led coalition. Mazowiecki and other officials on Thursday persuaded Solidarity legislators to withdraw, through a 246-29 vote in the Sejm, the bill directing the seizure of state property held by the Communist party. The government has, however, created a commission to study how to reclaim such property. [REDACTED] b3

[REDACTED] Mazowiecki continues to expend political capital to ensure that legal means, rather than public pressure alone, guide political change. Shelving the bill dodges a risk that the legislation would also threaten holdings of the Peasant and Democratic Parties—former Communist allies now aligned with Solidarity. Public pressure will ensure that Warsaw pursues the Communists' wealth; anti-Communists are taking over party offices so frequently that some local parties are vacating buildings before protesters arrive. Moreover, a party study found that the Communists' legal claim to buildings and equipment worth an estimated \$100 million is questionable, suggesting that the government commission will reach a similar conclusion. [REDACTED] b3

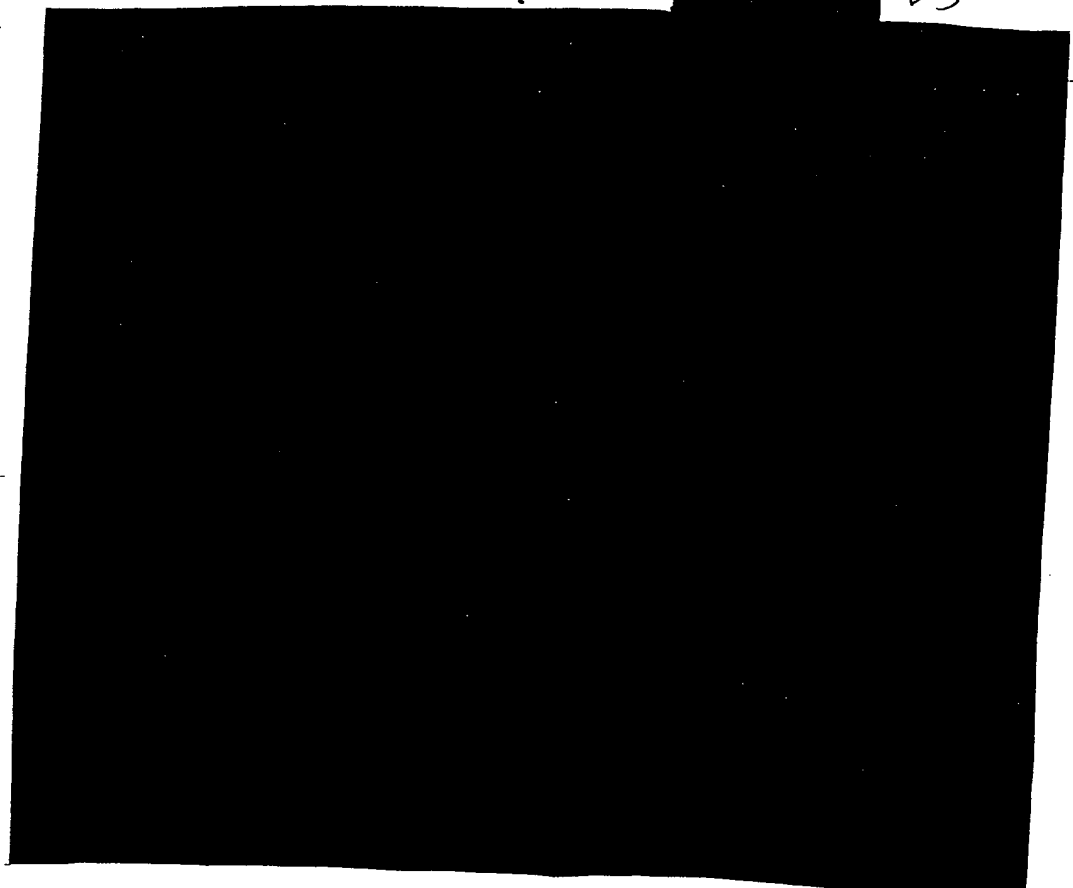
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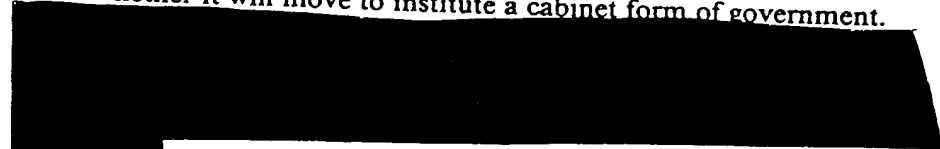
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### **SOUTH KOREA: Political Realignment Off to Rocky Start**

President Roh publicly warned yesterday that continued infighting might turn public opinion against the announced political merger of South Korea's three major political parties. Besides internal party bickering over the wisdom of that deal, the three camps are making contradictory statements about who will head the new organization and whether it will move to institute a cabinet form of government.

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Squabbling over internal matters is likely to heighten public skepticism at a time when even the most conservative newspapers are warning the new Democratic Liberal Party against exploiting its dominance. Roh's public warning underscores the work facing the new party in proving it will promote compromise and stabilize politics as advertised. A special legislative session next month will allow the public to assess how well the new order works, as lawmakers struggle to revise South Korea's controversial internal security laws and draw up rules for local elections.

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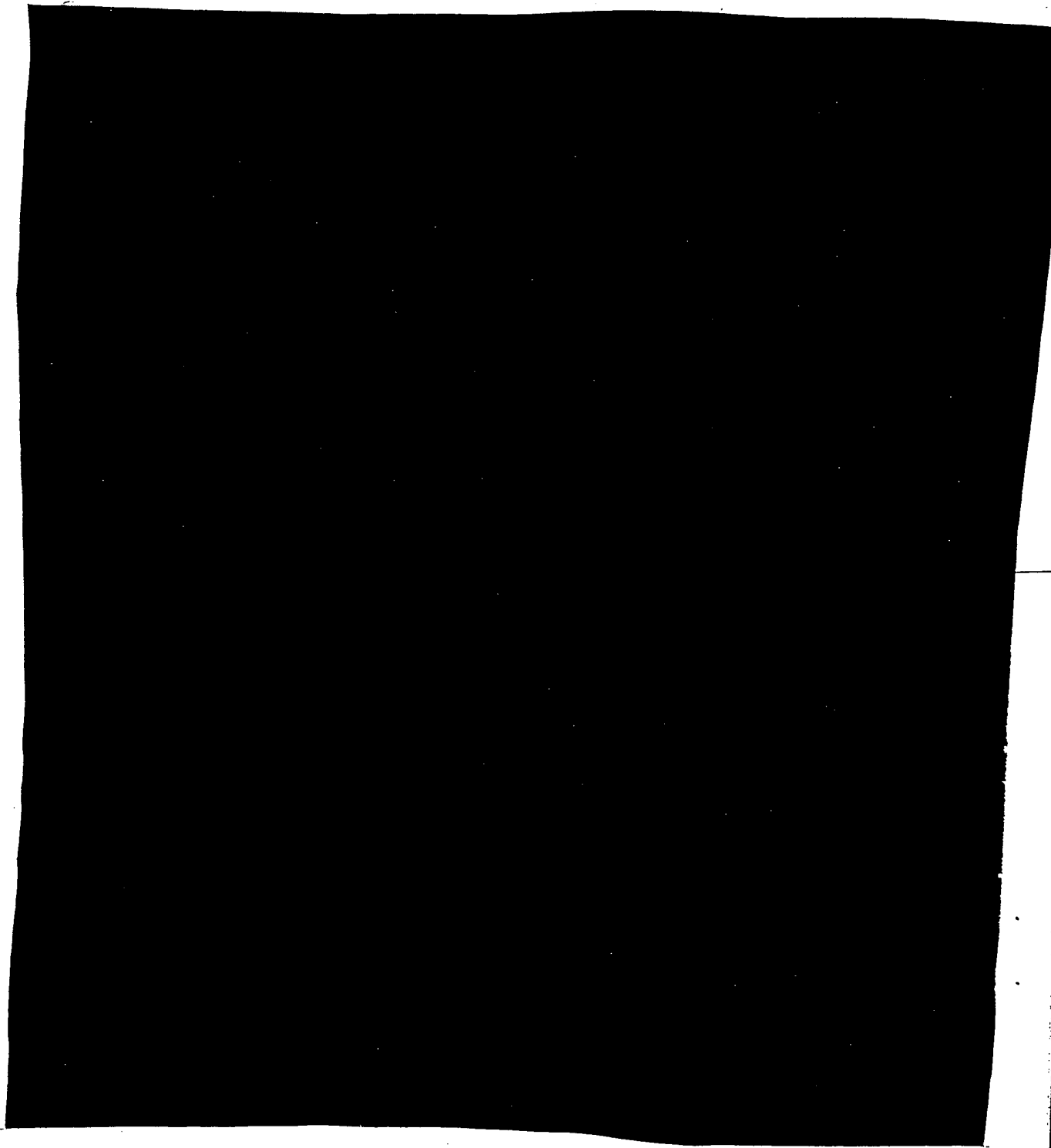
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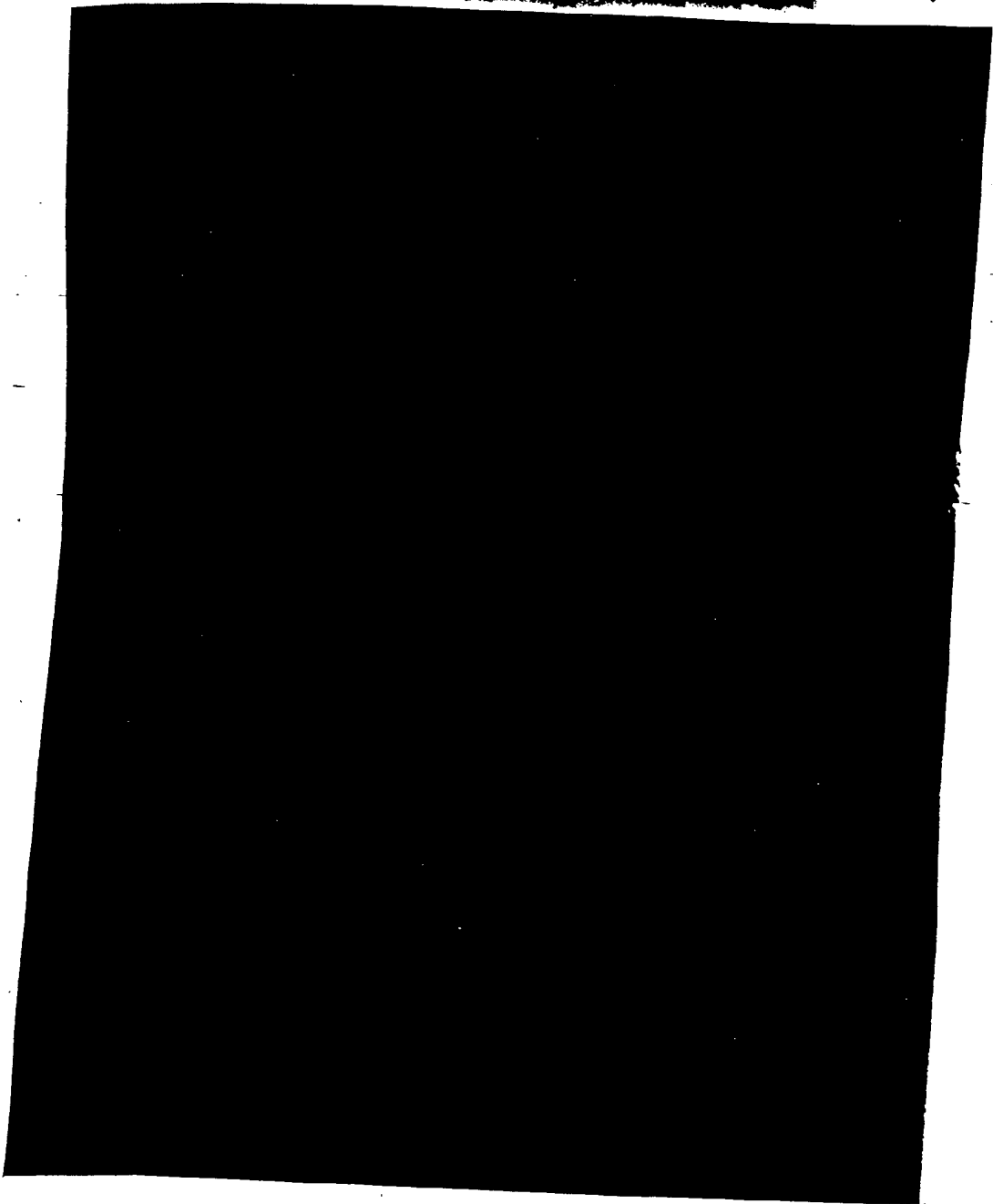
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## In Brief

### USSR

- Independent farmers in USSR's Russian Republic have formed group like ones in Baltic states, Belorussia to provide legal, material, financial support ... reformers in leadership supportive ... farm bureaucracy sees threat to collectives. [REDACTED] b3
- Latvian officials, ignoring warnings by Soviet authorities, this week closed key paper plant as environmental measure ... move has already prevented republic's newspapers from publishing ... [REDACTED] b1

### Europe

- Belgian press reports unprecedented personnel shakeup in EC imminent ... eight key officials to be replaced ... [REDACTED] b1

### Africa

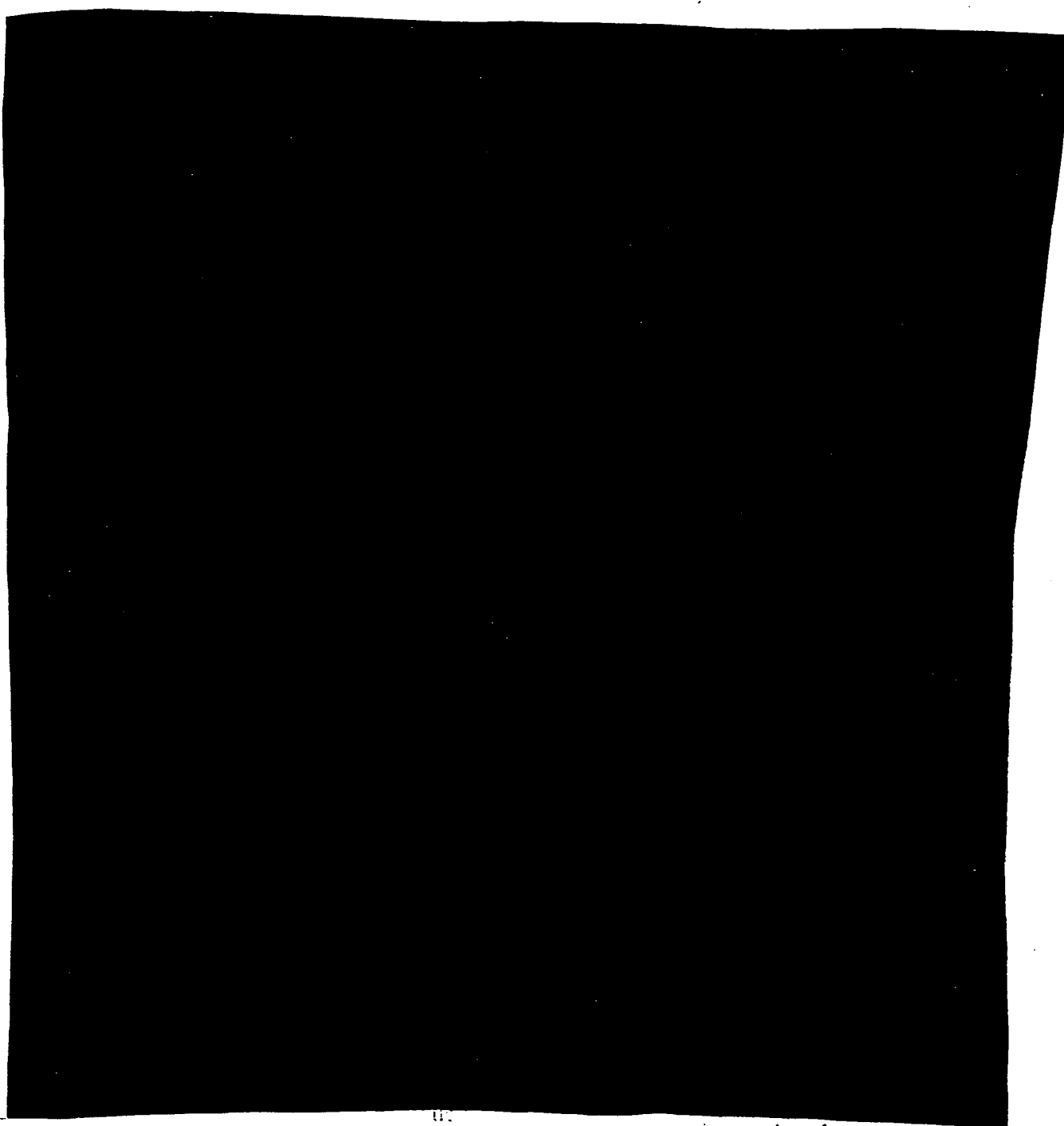
- Angolan insurgent leader Savimbi to arrive in Portugal today ... first visit as UNITA's chief ... claims heavy fighting under way in southeast, but willingness to travel suggests UNITA believes situation under control. [REDACTED] b3
- Kenyan President Moi arrives Monday, seeking assurances of US political backing, also wants more economic, military aid, less human rights scrutiny ... may cite military access agreement, renewable this year. [REDACTED] b3

### East Asia

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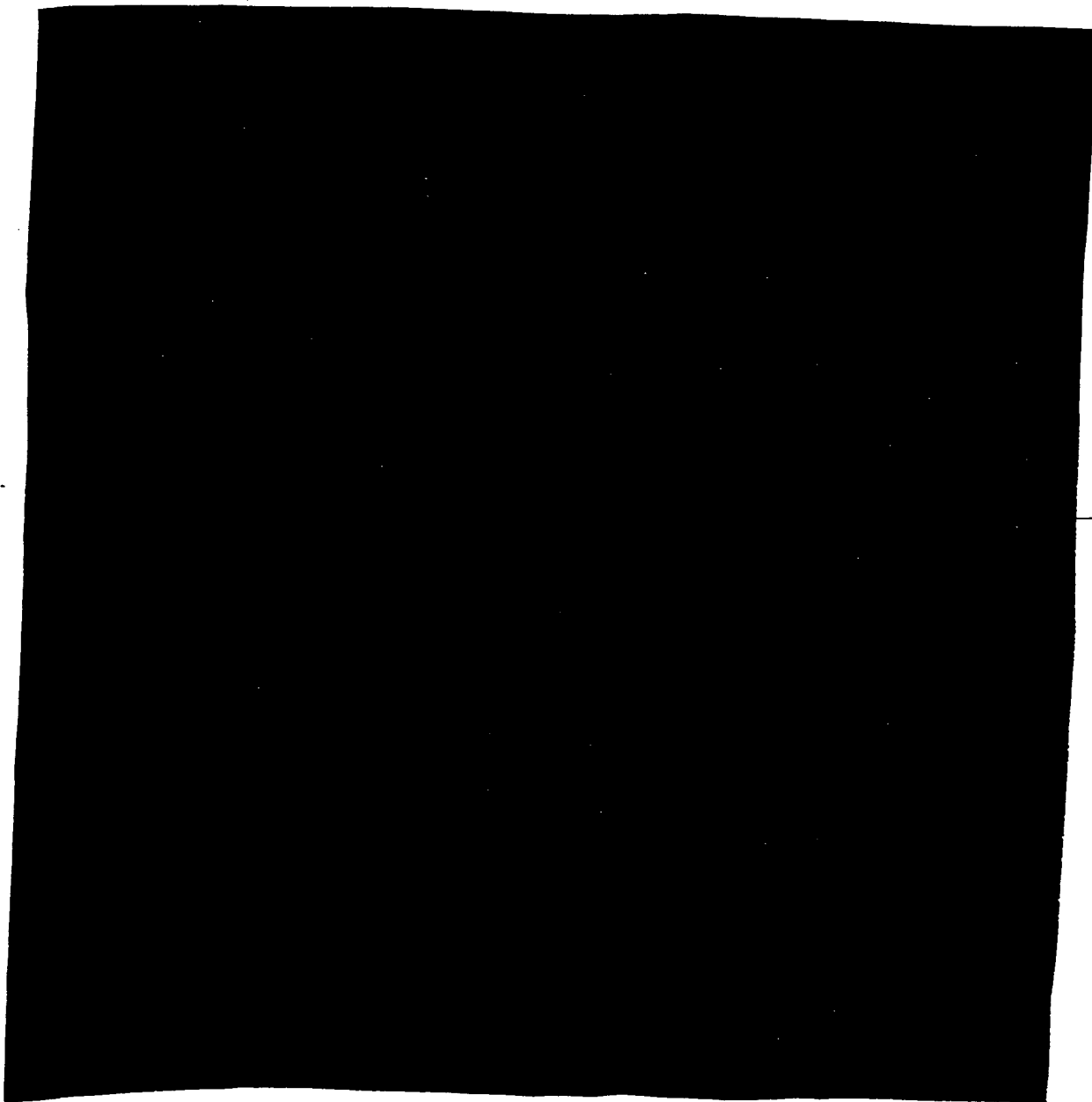
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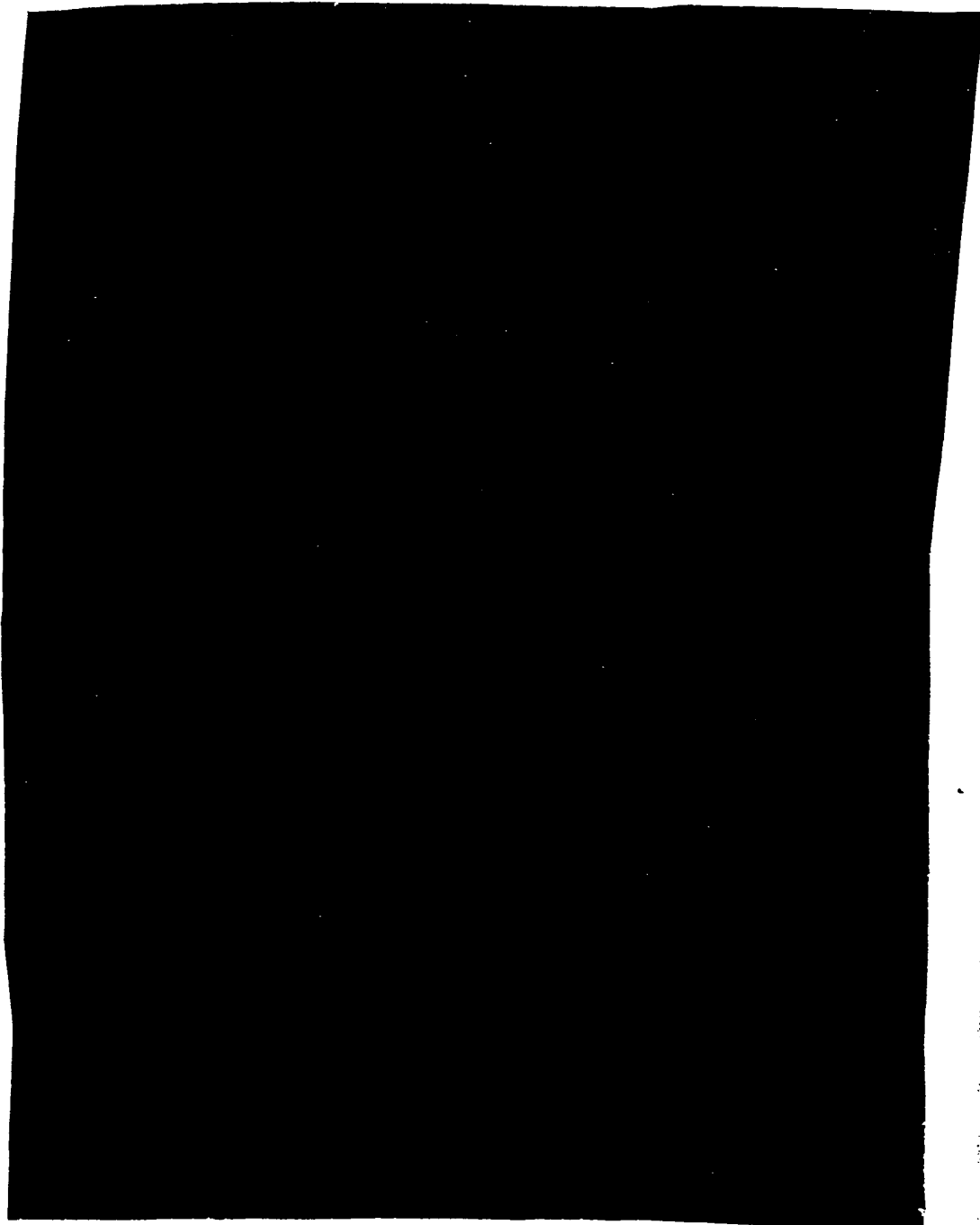
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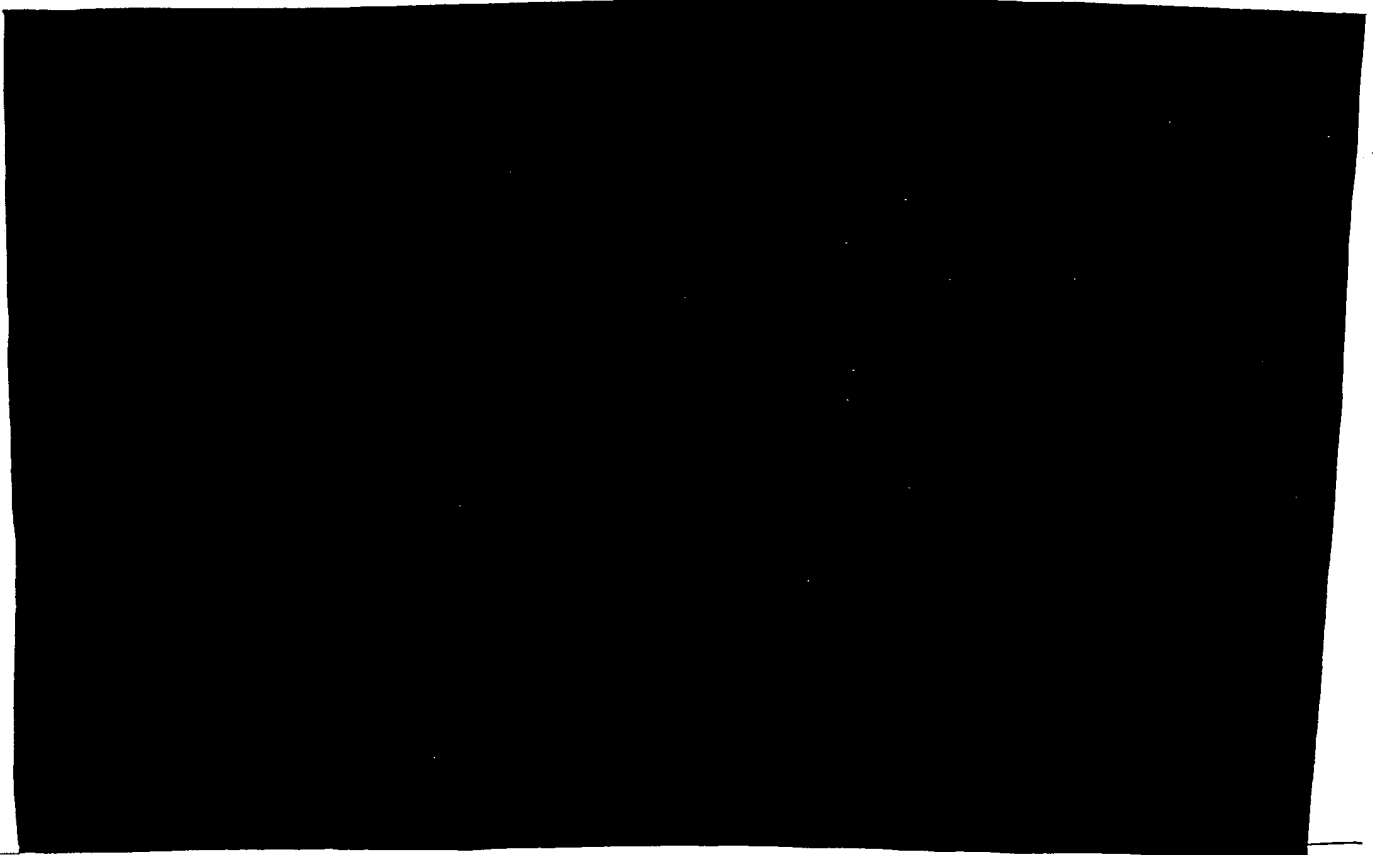
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